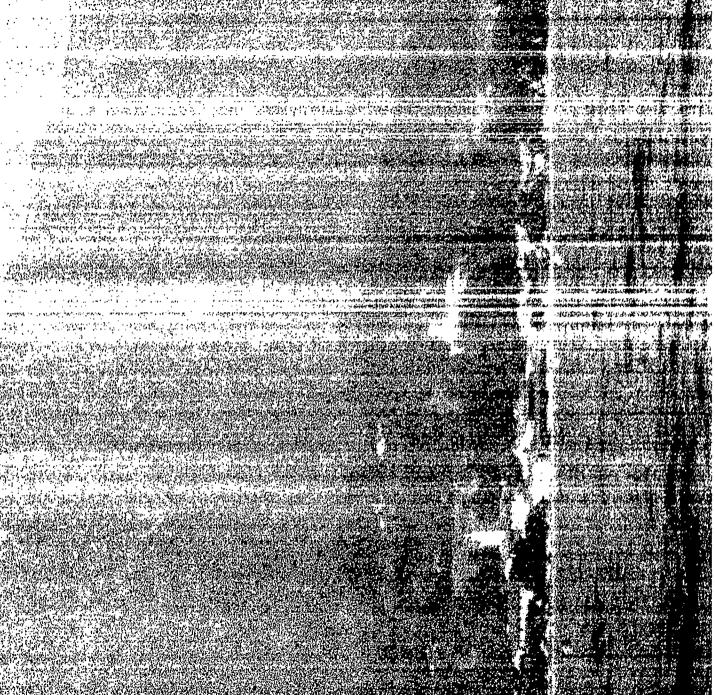
THE REASON FOUNDATION



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Annual Report, Fiscal Year 1981/82



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PRESIDENT'S LETTER

early five years ago I gave up a career as an engineer and consultant to devote full time to building an organization to support the ideas of a free society. After much preliminary work, the Reason Foundation opened its doors July 1, 1978. This annual report describes the Foundation's fourth year, a year in which the organization really began to hit its stride.

The idea behind the Reason Foundation was to create a think tank for liberty. By that we meant an organization combining an active research program — both theoretical studies in areas like rights theory and policy research in areas like privatization — with multi-level outreach and communications activities. Thus, from one organization we have both conferences on moral philosophy and a popular magazine, both an interdisciplinary academic journal and op-ed pieces from Reason in newspapers all across the country.

After four years of growth, one thing is clear: the concept works. There is highly productive interaction between academics and journalists. New ideas developed at conferences find their way into popular articles and congressional testimony. Not only that, but the concept is marketable. Support for the Foundation's program continues to grow. Grants and contributions for FY 1981-82 were up 42 percent from the year before, despite a severe recession.

And popular interest is growing, too. Reason magazine's circulation increased by 25 percent to a new high of 28,000. A larger fraction of those subscribers renewed their subscriptions, too. One reason is the magazine's growing repu-

tation. Reason's investigative articles were featured in national magazines and newspapers and on radio and TV. And for the first time, one of them won a national journalism award.

The Foundation's policy studies also began to be noticed. Our first major book, *Instead of Regulation*, was launched at a Washington briefing last fall, with endorsements from such figures as Milton Friedman and William Simon. Our second book project, on national defense, has recently begun, with a distinguished project team. Our scholarly work continued at an active pace, with three academic conferences and our fourth annual summer research seminar.

What's ahead? On tap for FY 1982-83 is our first million-dollar budget, launching the defense book, conferences on welfare and public utility monopolies, more investigative reporting, and *Reason* on newsstands and in college bookstores across the country. Our greatest limitation is not ideas or information — it's simply not having enough hours in the day to do all the things we could and should do. With several more staff members and a larger budget, we could accomplish even more.

Are we succeeding in making the case for freedom? We have not yet changed the world. But thanks in part to the Reason Foundation's efforts, initiatives such as contracting out public services, selling off federal lands to reduce the national debt, and privatizing air traffic control are being taken very seriously. And that is certainly one measure of our effectiveness.

Robert W. Poole, Jr. President

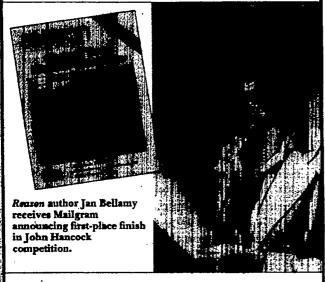


THE YEAR IN REVIEW

Reason Magazine

niquely among free-market think tanks, the Reason Foundation communicates with the general public by means of a lively monthly magazine. During FY 1981-82 Reason magazine experienced considerable growth — both in hard numbers and in reputation.

The most gratifying event of the year was the magazine's first national journalism award — the John Hancock Award for Excellence. Taking first place in the national magazines category was *Reason*'s October 1981 cover story "Two



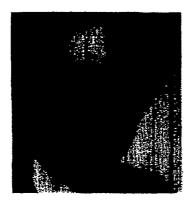
Utilities Are Better than One" by free-lance writer Jan Bellamy. By besting such well-known publications as Atlantic, Harper's, and Washington Monthly (all previous winners), Reason has reached a significant milestone and increased its national visibility. Moreover, the winning article

makes an especially noteworthy free-market point — that electric utilities need not be franchised monopolies, and that consumers might well be better off if they weren't. Copies of the article are being distributed nationwide by the John Hancock Mutual Life Insurance Co.

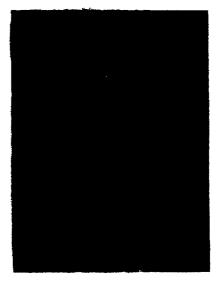
Sparked in part by an expanded program of investigative journalism (see below), Reason's circulation increased by 25 percent during the year — from 22,500 to 28,000. And although newsstand/bookstore sales remained a small fraction of the total, many new local distributors were added. Interestingly, for the first time in Reason's history, distributors themselves began contacting the magazine asking to carry it, due to its growing reputation. Advertising pages increased by five percent — to 146 from 139 — during the year, despite the recession.

Reason continued to attract many leading writers and thinkers to its pages — among them supply-side economist George Gilder, noted columnist John Chamberlain, Nobel laureate F. A. Hayek, award-winning journalist William Tutker, and best-selling investment writer Doug Casey. Reason interviews covered a spectrum of fascinating people, including the deregulationminded FCC chairman Mark Fowler, Chicago educational entrepreneur Marva Collins, Moral Majority target Paul Kurtz, former Goldwater speechwriter Karl Hess, and currency guru Dr. Franz Pick. Reason also added three new contributing editors: Reagtnomics author Bruce Bartlett, economist Joe Cobb, and reporter Mark Edward Crane.

Reason articles helpetl raise several public policy issues to national prominence. Foremost



FCC chairman Mark Fowler and famed educator Marva Collins were among those interviewed in Reason.



among these was the issue of selling off federal land to help reduce the national debt. Reason's two articles on this subject by Steve Hanke, senior economist with the Council of Economic Advisers, have been quoted extensively in places like the Washington Post and Los Angeles Times and at various public policy forums, Reason also gave early visibility to the issues of currency competition and electric utility deregulation, both topics later discussed at some length in other media.

Many Reason articles have been reprinted by others during the past year. Five different electric utilities and the Atomic Industrial Forum reprinted the September 1981 cover story, "Containing Nuclear Waste," by Dr. Petr Beckmann. Newspapers ranging from the Harrisburg Evening News to the Des Moines Register, the Charlotte Observer, the Topeka Capitol-Journal, the Long Beach Press-Telegram, and the San Francisco Chronicle have published op-ed page articles condensed from Reason feature articles. A regular program of developing op-ed pieces based on Reason articles was implemented during the second half of the year, using a mailing list of more than 300 op-ed page editors across the country. This, too, is significantly increasing both the visibility of Reason and the reach of its free-market ideas.

Reason's ideas are spreading overseas as well. The U.S. International Communications Agency has reprinted several Reason articles for distribution abroad, including William Middendorf's article on supply-side economics and the interview with FCC chairman Mark Fowler. The Brazilian newsweekly Visao reprinted (in Por-

tuguese) Robert Poole's article on Cuba in its April 5, 1982, issue. Reason's cover story "Saving the Wilderness" was translated into Swedish and reprinted in the Swedish monthly Ratio. And the Norwegian newspaper Fremskritt began a series of regular reprints from Reason this spring. In addition, the World Bank's Economic Development Institute has reprinted John Semmens's Reason article on the defects of government cost/benefit analysis.

Investigative Journalism

key aspect of Reason's increased visibility and success is the magazine's commitment to investigative reporting. Thanks to the Rhason Foundation's Investigative Journalism Fund, Reason is able to assist young writers in parsuing investigations of two types: (1) exposés, focusing in particular on government belondoggles and on unexpected consequences of government interventions, and (2) bringing to light little-noticed examples of free-market, private-enterprise, voluntary solutions to current problems. The resources of the Investigative Journalism Fund make it possible to send these writers to the locations of worthwhile stories, for on-the-scene investigation and interviews. Some investigative projects require six morths or more of painstaking research.

Altogether, 15 investigative articles were published during the fiscal year (see accompanying descriptions). Of these, six presented positive private sector alternatives, seven were straightforward exposés, and two combined aspects of both approaches.



Best-selling authors Doug Casey and George Gilder wrote articles for Reason.



REASON Contributing Editors and Columnists

BRUCE BARTLETT STEVEN BECKNER TOM BETHELL DAVID BRUDNOY **TOF COBB** TIMOTHY CONDON PATRICK COX MARK EDWARD CRANE ALAN REYNOLDS JAMES DALE DAVIDSON MURRAY ROTHBARD MARK FRAZIER THOMAS W. HAZLETT

JOHN HOSPERS ERIC MACK HENRY G. MANNE WILLIAM MARINA RICHARD MITCHELL **DURK PEARSON** LOWELL PONTE SANDY SH · W THOMAS SZASZ

One measure of the success of the investigative journalism program is the extent of media coverage these stories received. Overall, this year's investigative articles generated 19 newspaper articles, editorials, and condensations; eight write-ups in national magazines, 15 radio interviews, and one TV documentary (a "60 Minutes" program on flaws in weapons testing,

due to be broadcast in the fall of 1982). In addition, six of the articles led to legal decisions or legislative actions (including the cancellation of a NASA boondoggle and the introduction of legislation to reform military testing). Moreover, as noted earlier, one of these articles led to Reason's first national journalism award.

Two articles dealing with privatization were

Investigative Journalism Fund Articles 1981-82

"Getting Streetwise in St. Louis" By Theodore Gage

An account of street privatization efforts in St. Louis neighborhoods - a self-help renewal effort that succeeds, and requires not a penny of taxpayer money.

"NASA Flimflams Congress" By Robert Sheaffer

An exposé of NASA's attempt to continue a vetoed project by changing its name; this article led Congress to veto it again.

"Handicapping an Innovator" By Roland Kidwell

An account of an inventor's efforts to aid the blind and handicapped - despite the state medical bureaucracy.

"Two Utilities Are Better than One" BY JAN BELLAMY

Award-winning account of American cities with competing electric companies - and substantial benefits for consumers.

"CETA Fires a Whistleblower"

By RANDY FITZGERALD

Exposé of waste and fraud in CETA's Atlantic City program and the hazards faced by a staffer who tried to blow the whistle.

"Infant Formula — WHO Mixes It Up"

By JAMES HICKEL

Exposé showing that the World Health Organization's own study showed no correlation between infant formula marketing practices in Third World countries and the extent of bottle-feeding.

"Inside the CED"

By Justin Raimondo

First documented report that Jane Fonda's Workout salons provide a large share of the budget for Tom Hayden's socialist Campaign for Economic Democracy.

"Stormy Weatherization"

By Gaines Smith

Account of the politics and thinking behind



mandatory weatherization programs in Oregon.

"Making Good(s) Behind Bars" By JEFFREY SHEDD

Report on the successful experiment in prison entrepreneurship at Maine State Prison, shut down because it apparently succeeded too well in turning inmates into responsible individuals.

"Fighting with Failures" By Dina Rasor

media.

Exposé of fraud in operational testing of new weapons systems such as the M-1 tank; picked up for "60 Minutes."

"Chile's Economic Revolution" By CLAUDIA ROSETT

Account of the amazing degree of deregulation and privatization taking place in this much-maligned country.

"Unload the Subways" By Peter Samuel

Explanation of how government ownership is destroying New York's subways - and how privatization could restore them.

"Billions Down the Drain" By WILLIAM TUCKER

Analysis of the economics of California's multi-billion-dollar water project boondoggles by an award-winning journalist.

"The Viewer Is the Loser" By Thomas W. Hazlett

Account of the huge costs imposed on viewers by the politics of exclusive franchising of cable TV systems.

well-received in Washington. One, suggesting the privatization of federal Wilderness land, played a role in the selection of its coauthor, economist Richard Stroup, as Director of the Office of Policy Analysis in the Department of the Interior. The other, describing the success of street privatization in St. Louis, made a very positive impression on HUD undersecretary Donald Hovde, who made the article a topic of discussion at a top-level HUD staff meeting last summer. At last report, HUD was seeking ways of encouraging other cities to follow St. Louis's example.

Other articles corrected widespread misunderstandings created by interest groups and fostered by mass media reporters ignorant of economics. One example of such corrective action was Reason's article on the Third World infant formula controversy. A Reason investigative reporter obtained the original World Health Organization research report on infant formula marketing practices overseas. Although the WHO ban on certain marketing practices was supposedly based on the findings of this report, a careful reading of its data revealed no correlation whatever between marketing practices in a country and the extent of formula use (compared with breast feeding). Thus, the basis of the ban was purely ideological. Reason's exposé led to several newspaper write-ups and a letter of commendation from J. R. Crumley, Bishop of the Lutheran Church in America.

Thus, Reason's investigative articles continue to have a wide impact. They are read - and acted upon — by national policymakers and by members of the national news media.

Senior Fellow Tibor Machan discusses The Libertarian Reader with William F. Buckley, Jr. on "Firing Line."



Public Communications

It is one thing to propose new ideas in public policy; it is quite another to get them to be taken seriously. To do so requires effective communication of ideas to policymakers and decisionmakers. Senior Reason Foundation people are especially active in this area — publishing articles, speaking at conferences, doing talk-show interviews, and working with policy makers.

A good example is the Foundation's role in creating the issue of air traffic control privatization. When the air traffic controllers' strike began last summer, a White House staff member suggested to Foundation president Robert Poole that Poole's previous writings on this subject might garner new interest in light of the strike. Poole's resulting New York Times op-ed piece (Aug. 16) led to an invitation from the Department of Transportation to make a presentation on air traffic control privatization in Washington. On September 14 Poole briefed DOT Secretary Drew Lewis, FAA Administrator Lynn Helms, and several other officials at DOT headquarters. In October he gave a paper on the subject at a Washington conference on user fees and received favorable comments from DOT Asssistant Secretary Judith Connors. FAA legal staff reviewed Poole's proposal during the winter, and Poole responded to their report in April.

Meanwhile, the New York Times piece led to significant media attention. Poole was subsequently interviewed by National Public Radio's "All Things Considered," the Wall Street Journal, the Minneapolis Star, and radio stations KUI in Seattle and WJEZ in Chicago. Several

major newspapers, including the New York Times, the Wall Street Journal, and the Orange County Register have spoken favorably of the proposal, as have labor leaders Lane Kirkland and William Winpisinger. Poole has been asked to present a paper on the subject at the 62nd annual meeting of the Transportation Research Board.

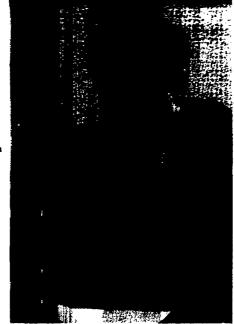
The Foundation has also taken the lead in giving visibility to the idea of selling off federal lands in order to reduce the national debt. Reason was the first national magazine to present an article on the subject (subsequently reprinted in the Sacramento Bee). The magazine published two further articles elaborating on the idea, written by Council of Economic Advisers senior economist Steve Hanke. The first of these articles has been quoted from by both the Los Angeles Times and the Washington Post in subsequent articles on the land privatization issue.

In several other instances this year the Foundation has been called upon to provide inputs to the policymaking process. Robert Poole's testimony on the Law of the Sea Treaty was submitted to the Subcommittee on Oceanography of the House Committee on Merchant Marine and Fisheries in October. And his testimony on ending the postal monopoly was submitted to the Joint Economic Committee at the request of Sen. Steve Symms in June. Poole has also assisted one of the committees of the President's Task Force on Private Sector Initiatives, preparing a report on institutional barriers to privatization of public services.

One reason for the Foundation's ready access to the Administration is the fact that a number of *Reason* contributors and participants in

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Former Council of Economic Advisers chairman Murray Weidenbaum is one of a number of Reason Foundation contacts in Washington.



Foundation projects now hold key policymaking posts in the Administration. Among them are Council of Economic Advisers member William Niskanen and chairman Murray Weidenbaum,* presidential speechwriters Lance Lamberton and Dana Rohrabacher, White House policy analysts Doug Bandow,* Kevin Hopkins, and John McClaughry,* Office of Management & Budget Associate Director Kenneth Clarkson, HUD Assistant Secretary for Policy Development and Research E. S. Savas, Interior's Office of Policy Analysis director Richard Stroup, and Federal Trade Commission Bureau of Consumer Protection director Timothy Muris.

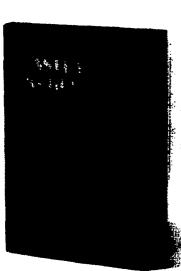
In addition, senior Reason Foundation personnel maintain a very active schedule of writing, speaking, and media contact. Senior Fellow Tibor Machan, for example, was the guest on William F. Buckley's "Firing Line" program in April. Senior Editor Manuel S. Klausner frequently delivers editorial replies on radio and television stations in Los Angeles. And president Robert Poole maintains an extensive schedule of public speaking and interviews across the country. During FY 1981-82 Poole gave talks and was interviewed for radio and TV in New York, Washington, Philadelphia, Louisville, Tulsa, Oklahoma City, Portland, San Francisco and Honolulu. In addition, he presented papers at conferences sponsored by organizations including the American Legislative Exchange Council, the Arizona Economic Forum, the Heritage Foundation, the Cato Institute, the Lehrman Institute, Hillsdale College's Shavano Institute, the Political Economy Research Institute, and Northwood Institute. Senior Fellow Machan took part in conferences on foreign policy at the Claremont Colleges, on regulation at St. Johns University, and on Marxism at the University of San Francisco, as well as a Liberty Fund colloquium on freedom and philosophy. Machan had articles published on the op-ed pages of the Wall Street Journal and the Los Angeles Times, and in Modern Age and Policy Review, in addition to several papers in philosophy journals such as American Philosophical Quarterly.

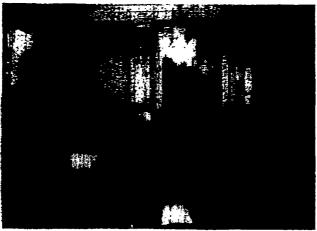
Books

n FY 1981-82 the Foundation's book publication efforts began to hit their stride. Our first major public policy research project reached its conclusion with the release of *Instead of Regulation* in October. Tibor Machan's *The Libertarian Reader* made its debut in April. And a third volume, *Regulation and Deregulation* will be released in the fall.

Instead of Regulation provides workable alternatives to 10 major federal regulatory agencies. The book was launched at a Washington briefing on October 21. Senators Laxalt, Jepsen, and Symms had sent out a "dear colleague" letter inviting senators and staff members to the briefing in the Russell Senate Office Building. On the House side, Rep. Thomas Kindness had done the same. Thus, a very attentive audience greeted the hour-long presentation by the book's editor Robert Poole and contributors George Benston, Alan Reynolds, and Ida Wal-

^{*}Now resigned





President Robert Poole briefs congressional staff members on Instead of Regulation.

ters. That afternoon the four were guests at a reception hosted by Administration deregulation chief Christopher DeMuth in the White House's Old Executive Office Building. That same week Poole addressed a conference of the Council for a Competitive Economy and appeared on WTTG-TV and WRC and WAMU radio to discuss the book.

Instead of Regulation has received warm endorsements from former White House domestic policy chief Martin Anderson, from economists Milton Friedman and Arthur Laffer, from law professor Henry G. Manne, and from former Treasury Secretary William Simon. It has been favorably reviewed by people such as Jeffrey St. John in the Chamber of Commerce's Washington Report and John Chamberlain in The Freeman. A Wall Street Journal article on privatization discussed several ideas from the book. Most recently, it has been made a July selection of the Conservative Book Club. Publisher Lexington Books has ordered a second printing.

The other two new books focus more on fundamental principles than on policy studies. Senior Fellow Tibor Machan conceived *The Libertarian Reader* as the first comprehensive collection of current writings on libertarian philosophy. With contributions by 21 authors, the book's four sections cover the foundations of liberty; liberty, law, and society; liberty and economics; and liberty and morality. The book is expected to be widely used in classrooms in philosophy and political science as an introduction to today's leading thinkers in the libertarian tradition.

The third book is titled Regulation and Deregu-

lation: Economic Policy and Justice. It presents the results of papers given at a Liberty Fund/ Reason Foundation conference on Government Regulation, Economic Liberty, and Justice. Conceived as an interdisciplinary effort, the conference brought together both the usual "law and economics" analysts of regulation and participants with broader perspectives from philosophy and other humane studies. Thus, papers were presented by such people as economists M. Bruce Johnson (University of California, Santa Barbara) and Leland Yeager (University of Virginia), and law professors Norman Karlin (Southwestern University) and Thomas Haggard (University of South Carolina), as well as philosophers Judith Jarvis



Thomson (MIT) and Tibor Machan (SUNY-Fredonia) and government professor Steven Kelman (Harvard). The conference was codirected by Senior Fellow Machan and Trustee M. Bruce Johnson, who also serve as co-editors of the book. Regulation and Deregulation will be released by Ballinger Books this fall.

Prof. Ernest van den Haag presented a paper at the Foundation's conference on Natural Law and Positive Law.



Conferences and Seminars

Policy studies are important, but the survival of freedom requires sustained attention to the principles underlying a free society. Human rights, individual responsibility, justice, free exchange — these ideas must be rigorously defended in the intellectual arena. An important part of the Reason Foundation's work takes place in this arena.

Interdisciplinary conferences are one of the Foundation's principal vehicles in this regard.

Philosopher Henry
Veatch took part in
the Natural Law
conference.

All too often economists talk only to economists, philosophers talk only to philosophers. Yet human interactions in society are not neatly segmented into academic categories. As Ludwig von Mises frequently pointed out, the study of human action cuts across disciplinary lines. The Reason Foundation's conferences take this insight to heart, purposely involving thinkers from a variety of fields.

During FY 1981-82 the Foundation organized three such conferences. The first -Economics and Philosophy — addressed a wide range of topics which could benefit from the creative interactions of people in both fields. Different sessions delved into sociobiology, the appeal of the free market to economists, economic liberty and the US court system, and the concept of free will applied to economics. Funded by the Foundation for Advanced Studies in Liberty, the conference was directed by Senior Fellow Tibor Machan as a joint effort of the Reason Foundation and the Institute for Humane Studies. It took place in March on the campus of Pepperdine University. The speakers and commentators are listed in the adjacent table.

The second conference focused on a single topic: Should a free society be grounded in the concept of natural law (universal principles discernible by reason) or should it rest on positive law (whatever codes emerge from human agreement)? The idea for a conference on this topic grew out of discussions between Machan (a natural law proponent) and Prof. Ernest van den Haag, an advocate of positivism. Together, they put together a roster of distinguished thinkers (see table) and selected as director J. Roger Lee, a philosopher and former Reason Foundation summer fellow currently in residence at VPI's Center for the Study of Public Choice. The conference, supported by the Liberty Fund, took place in May at the Santa Barbara Biltmore.

The third conference of the year was the opening event of the Foundation's fourth an-

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Professors Ralph McInerny and Gilbert Harman confer at Foundation confer-

nual Summer Research Seminar. Like the seminar, it addressed the topic of Culture and the Free Society. Each year, as a project of the Lib-

Seminar on Economics and Philosophy **March 1982**

Cheri Adrian, LITERATURE, Malibu, California

Roger Arnold, ECONOMICS, University of Nevada

Morton Beckner, PHILOSOPHY, Pomona College

Robert L. Crouch, ECONOMICS, University of California, Santa Barbara

Paul Heyne, ECONOMICS, University of Washington

Alfred R. Louch, PHILOSOPHY, Claremont Graduate School

Tibor R. Machan, PHILOSOPHY, SUNY-Fredonia, and ECONOMICS, University of California, Santa Barbara

Mark S. Pulliam, ATTORNEY, Los Angeles, California

George Reisman, ECONOMICS, Pepperdine University

Bruce Short, LAW STUDENT, Stanford University

Barry Siegal, ECONOMICS, University of Oregon

Jack Wheeler, PHILOSOPHY, Los Angeles, California

Susan Woodward, ECONOMICS, University of California, Los Angeles

erty Fund, the Foundation selects about a dozen scholars to spend their summer in residence at the Reason Foundation in Santa Barbara. Although the community of scholars who appreciate the ideas and values of a free society is growing, it is far from the mainstream view in academia today. The summer research seminar is a means of nurturing this community by supporting research and writing by some of its members, helping to establish social links among them, and providing a climate conducive to the exchange of ideas and information. The 1982 summer fellows and their research topics are listed in the table on p. 13.

Although the focus of the summer seminar is on research and interaction, tangible products do result. A number of previous summer fellows used their time in Santa Barbara to begin or complete a book. July 1982 saw the publication, by Rowman and Littlefield, of 1979 summer fellow Allen Buchanan's book Marx and Justice. Jack Sanders, another 1979 fellow, had his The Ethical Argument Against Government published in 1980, while David C. Rapoport coedited two 1981 books on terrorism. Several former fellows are continuing to work on books begun during their stay in Santa Barbara, including Bruce K. Bell (No Harm, No Foul: Chemicals on Trial) and David Levy (History of Political Philosophy). Bill Puka, a 1981 fellow, went on to become an American Philosophical Association Congressional Fellow in the office of Sen. Gary Hart. Many other fellows presented papers at conferences and had journal articles published based on their work during the summer seminars.

Former summer fellow J. Roger Lee has researched new roles for prison industries.



Conference on Natural and Positive Law and Human Liberty May 1982

Joseph Cropsey, POLITICAL SCIENCE, University of Chicago

Peter A. Danielson, PHILOSOPHY, York University

Kent Greenawalt, LAW, Columbia University
Morton J. Frisch, POLITICAL SCIENCE,
Northern Illinois University

Gilbert Harman, PHILOSOPHY, Princeton University

J. Roger Lee, CENTER FOR THE STUDY OF PUBLIC CHOICE, Virginia Polytechnic Institute

Michael Levin, PHILOSOPHY, City University of New York

Tibor R. Machan, PHILOSOPHY, SUNY-Fredonia and ECONOMICS, University of California, Santa Barbara

Wallace I. Matson, PHILOSOPHY, University of California, Berkeley

Ralph McInerny, MEDIEVAL INSTITUTE, University of Notre Dame

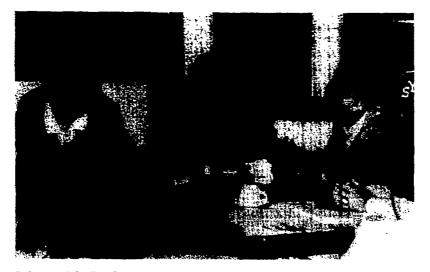
Herbert Morris, LAW, University of California, Los Angeles

Ernest van den Haag, LAW, Fordham University

Henry B. Veatch, PHILOSOPHY, Georgetown University

Philosopher J. Roger Lee, a 1981 fellow whose work focused on issues in corrections policy, brought to Reason magazine's attention a unique three-year experiment in prisoner entrepreneurship at the Maine State Prison. Reason assigned law student and journalist Jeffrey Shedd to investigate, and the result was the March 1982 cover story, "Making Good(s) Behind Bars," subsequently written up in Business Week. Another 1981 summer fellow, criminologist Larry Wollan, helped arrange for a roundtable session on Lee's theories of the scope and role of prison industries at the Southern Conference on Corrections, where Lee spoke on March 29.

Another philosopher, 1980 summer fellow Douglas Den Uyl, organized a lecture series called "New Perspectives on Community Development." Set up through his philosophy department at Bellarmine College, and funded by the Louisville Development Committee and two local foundations, the series brought six freemarket-oriented thinkers to Louisville. The six were Foundation president Robert Poole (on privatization of public services), economist Stuart Butler (on enterprise zones), political scientist Robert Bish (on the pros and cons of metro government), economist Walter Williams (on licensing restrictions), architect Oscar Newman (on street privatization), and Department of Housing and Urban Development official Alan Siegel (on alternatives in service delivery). The series was well publicized and well attended. The Development Committee invited back Poule, Butler, Bish, and Newman for two days of consultation in May on how their ideas can be implemented in Louisville.



Culture and the Free Society was the subject of this June 1982 conference.

1982 Summer Research Seminar: Culture and the Free Society

Randall R. Dipert, PHILOSOPHY,

SUNY-Fredonia

An evaluation of the ethical and political arguments concerned with works of art and with government intervention (censorship and subsidies) in the arts.

James Faught, SOCIOLOGY, Loyola

Marymount University

A systematic comparison of the analysis of the institutional regulation of human liberty by sociologists Max Weber and Georg Simmel.

Hilail Gilden, PHILOSOPHY, Queens College
A reconsideration of Rousseau's argument for
democratic self-government as set forth in his Social
Contract, contrasting it with the views of Aristotle
and Tocqueville.

Robert Gordon-McCutchan, Religious Studies, University of California, Santa Barbara

An examination of the phenomenon of television evangelism and its relationship to American cultural pluralism.

Ronald Hamowy, HISTORY, University of Alberta, Edmonton

An investigation of the arguments used by organized medicine to support two major government interventions: medical licensure in the 1880s and mandatory health insurance (1912-1920).

James Hudson, PHILOSOPHY, Northern Illinois University

An examination of the principal arguments used to justify immigration restriction — effects on labor force, welfare burden, national security — from an ethical perspective.

Henry S. Kariel, POLITICAL SCIENCE,

University of Hawaii

A study of ways in which creative capacities are blocked by technological, bureaucratic, and governmental structures.

Ernest Partridge, Environmental

STUDIES, University of California, Santa Barbara

An examination of the philosophical assumptions and implications of court decisions limiting acceptance of testimony in environmental cases.

Edward Regis, Jr., PHILOSOPHY, Howard University

An exploration of the effect of political and economic freedom on the development of science and technology, in light of Nazi and Soviet technological accomplishments.

J. C. Smith, LAW, University of British Columbia

A historical, anthropological, and psychological study of the relationship between liberty and the prevailing paradigm of social order.

Robert Stewart, Philosophy, Pomona College

An examination of various "negative" and "positive" conceptions of liberty and their relative usefulness and implications.

Bradford Wilson, POLITICAL SCIENCE,

California State College, San Bernardino Acritical history of judicial enforcement of the Fourth Amendment, with particular focus on judicial creation of the exclusionary rule.

Other Publications

The Reason Foundation produces a number of other publications in addition to *Reason* magazine and books. They include:

- Reason Papers. Like our conferences, the Foundation's scholarly journal is an interdisciplinary effort, with contributors from the fields of philosophy, law, economics, political science, and other humane studies. Once published independently by Senior Fellow Machan, since 1978 Reason Papers has been an annual project of the Reason Foundation. Issue No. 8, Summer 1982, is the most recent edition of this journal.
- Reason Report. Each quarter the Foundation publishes another issue of this progress report to contributors and colleagues at other think tanks and research institutes. It details the activities and programs of the Reason Foundation, serving as a timely supplement to the annual report.
- Frontlines. Eleven times a year the Foundation publishes this newsletter reporting on the activities, controversies, and personalities of those advocates of a free society who have come to be known as the libertarian movement. The Next Whole Earth Catalog says of Frontlines,
- "There's no better way to gain a compact overview of the libertarian movement. Highly recommended."
- Reason Essays. This is a series of reprints of little-circulated but significant journal articles which deserve wider notice. Three such essays have been published thus far: "Rationality vs. Dehumanization" by Edward Hacker, "Natural Law: Some Considerations" by Bruce Goldberg,

- and "Libertarians vs. Egalitarians" by Antony Flew. Several other articles have been selected for future reprinting in this series.
- Reason Monographs. This project will feature important original essays on both theoretical topics and public policy issues.
- Reason Reprints. A number of Reason magazine articles have been reprinted for wider distribution, due to heavy demand from readers and outside organizations. Among these are a primer on supply-side economics and Reason's classic exposés of federal grants to Cesar Chavez's union, Tom Hayden's Campaign for Economic Democracy and the Love Canal issue.





Business manager Madelyn Romaszewski enters cost data into new computer-based accounting system.

PLANS AND PROSPECTS

Reason Expansion

he Foundation's most visible project, and its vehicle for reaching the widest audience, is its flagship publication, Reason.
Further increasing the circulation of the magazine is first on the agenda for FY 1982-83. An expanded direct-mail program, aimed at several different audiences, is projected to increase subscription circulation by 25 percent this year — to 35,000. This increased size will facilitate the sale of advertising in the magazine, as well. A full-time advertising manager has been hired as of July 1, 1982, replacing a part-time, commission-only salesman.

For the first time, single-copy sales — in bookstores and on major-city newsstands — will become a high priority. During the past year as Reason's investigative articles caused it to become much better known, the magazine received numerous telephone calls, from journalists and would-be purchasers across the country, asking where copies could be bought. There now exists sufficient name recognition for the magazine to make a single-copy sales effort worth attempting. Accordingly, the 50 largest cities and 75 major colleges and universities have been targeted for sales efforts. A marketing campaign aimed at college bookstores and local wholesalers in those locations will be carried out during the year, with a goal of distributing 5,000 copies per month by the end of the fiscal year. In the following year, a single national distributor will be sought.

Continuing Reason's growth depends on maintaining the quality of its articles, especially those in the investigative journalism program. The Investigative Journalism Fund is targeted

for a 40 percent increase this year. Between 12 and 15 new articles will be produced, and a researcher will be added to the staff for fact-checking purposes. Among the investigative projects planned are the following:

- The first published report on a successful (but virtually unknown) education voucher program.
- Debunking the idea of a major soil-erosion crisis in the farm states.
- A report on the SEC's harassment of financial newsletters.
- A report on successful instances of cities buying police services from the private sector.
- Head-to-head competition between private fire departments in a northwestern state.
- A report on the fast-growing home schooling underground.
- An inside look at a thriving black-market jitney operation in a major American city.

Local Government Center

s of July 1, 1982, the Reason Foundation took over the operation of the Local Government Center, a small research institute directed by Foundation president Robert Poole and previously associated with the National Taxpayers Union and the Taxpayers' Foundation. LGC has become one of the country's leading sources of information and expertise on the privatization of local public services. It also serves as a national clearinghouse, putting researchers, journalists, service-providing firms, and local officials in touch with one another.

The Local Government Center provides a book and a newsletter on privatization of public services.

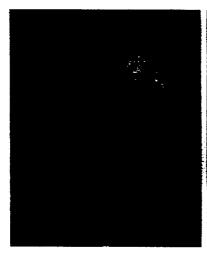
During the coming year the Reason Foundation plans to continue and expand LGC's activities. The monthly LGC newsletter, "Fiscal Watchdog," will be expanded to reach a larger audience and put on a self-supporting basis. LGC will continue to make available Robert Poole's book, Cutting Back City Hall, a basic reference work on local services privatization. A nationwide directory of private-sector public service providers will be compiled and made available. LGC will also assist other organizations currently involved in research on privatization of public services — including HUD, the International City Management Association, the University of Victoria (British Columbia), and the Institute for Private Sector Public Services. In addition, LGC will work with graduate students in economics, political science, and public administration to suggest thesis research topics and provide advice and assistance in carrying out the research.

Defense Project

uring FY 1982-83 one of the Foundation's major public policy research efforts will be the production of a book on national defense policy. To be called *Defending a Free Society*, the book's aim is to provide a framework of principles with which to address major defense issues, consistent with maintaining a free society of limited government and individual liberty. These principles will then be applied, in general terms, to the major areas of defense policy confronting the United States in today's world.

The Foundation has assembled a distinguished project team to produce this book, representing both a variety of academic disciplines and experienced defense analysts. Each team member possesses both specific knowledge of his subject area and a commitment to the values of a free society. The team members and their areas of research are as follows:

- 1. THE MORAL BASIS OF DEFENSE POLICY, Eric Mack, Department of Philosophy, Tulane University
- 2. RESEARCH ON WAR, CONFLICT, AND PEACE, Rudolph Rummel, Department of Political Science, University of Hawaii
- 3. CURRENT STRATEGIC REALITIES, Rudolph Rummel, Department of Political Science, University of Hawaii
- 4. STRATEGIC WEAPONS SYSTEMS, Samuel T. Cohen, R & D Associates
- 5. RETHINKING MILITARY ALLIANCES, Laurence W. Beilenson, author of The Treaty Trap
- 6. PROTECTING THE SEA LANES, Michael J. Dunn, Boeing Company
- 7. DEFENDING THE HOME FRONT, Paul Hoven and Joseph Burniece, Summit Simulations, Inc.
- 8. MILITARY PERSONNEL WITHOUT CONSCRIPTION, Roger N. Folsom, Department of Economics, San Jose State University
- 9. INTELLIGENCE FOR DEFENSE, Joseph B. Ford, Department of Sociology, California State University, Northridge
- 10. AID TO FREEDOM-FIGHTERS, Laurence W.





Historian and legal scholar Laurence Beilenson and physicist Samuel Cohen are among the project team members for Defending a Free Society.

Beilenson, author of Power Through Subversion

11. TAKING THE IDEOLOGICAL OFFENSIVE, Jack D. Douglas, Department of Sociology, University of California, San Diego

Among the team members, it is worthy of note that Mr. Beilenson is a long-time personal friend of, and unofficial advisor to, President Reagan. Cohen is considered to be the father of the neutron bomb concept. And Hoven and Burniece are members of the "military reform" community of defense analysts.

The defense project got under way in the spring of 1982 with a Phase I grant from the Earhart Foundation. In October the team members will assemble in Santa Barbara for a three-day conference to review and comment on each others' manuscripts, after which the volume will be edited, for submission to a publisher in January 1983. Discussions with a number of trade publishers are under way.

Other Conferences and Research

Besides the defense conference mentioned above, several other conferences are in various stages of planning for FY 1982-83. Definitely on the agenda is a Colloquium on the Welfare State and Individual Responsibility, to be sponsored by the Liberty Fund. Also being considered is another spring conference on economics and philosophy. In the early planning stage is a conference on public utility deregulation, aimed at bringing together economists

and political scientists from academia, utility. regulators, and utility company officials to discuss the prospects for ending utility monopolies and regulation. And a fifth annual summer research seminar is also in the planning stages for the summer of 1983.

The Foundation has also begun a program of assisting graduate students with research projects. During FY 1981-82 our first nonresident fellow was selected — Larry Mone of the University of California at Berkeley's Graduate School of Public Policy. Mone approached the Foundation in January for suggestions of a suitable master's thesis topic. From among the five topics we suggested, Mone selected an examination of the funding problems of the relatively new hospice movement. During the spring Mone consulted with Foundation personnel from time to time regarding the course of the research. His thesis was completed in June.

In the coming year the Foundation plans to offer such research assistance to an expanded number of graduate students. The Foundation's Advisory Board has been asked to suggest both research topics and promising graduate students for inclusion in the Nonresident Fellows program. At present, Foundation resources do not permit the award of stipends to the Fellows, but this is a distinct future possibility as the program expands.

Also during the coming year the Foundation hones to expand its Essays and Monographs program. The aim is to reprint several more articles in the Essays series and to commission several original papers on theoretical and public policy issues for the Monographs series.

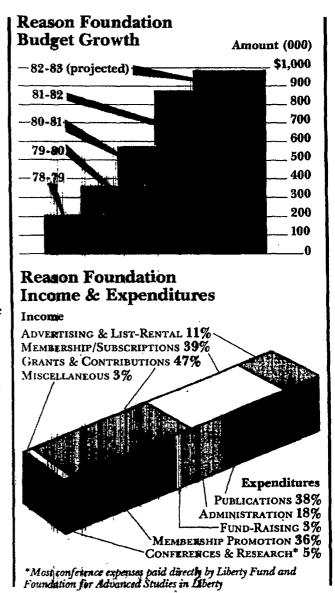
FINANCIAL INFORMATION

\$900,000 in FY 1981-82, its fourth year of existence. That was a 41 percent increase over the year before. As the adjacent figure makes clear, the Foundation's growth has been steadily upward since its founding in 1978. The projected budget for FY 1982-83 continues this upward trend, at just under \$1 million.

Where does the money come from? The largest source, accounting for some 47 percent of income, is grants and contributions. Despite 1981-82 being a period of serious recession, the Foundation succeeded in raising \$348,000 in grants and contributions, over 90 percent of the year's goal. There were 15 foundation donors (of which 5 were first-time supporters and the other 10 repeat givers), 14 corporate and corporate-foundation donors (of which 4 were new), and nearly 1,000 individual donors, whose gifts ranged in size from as little as \$5 to as much as \$10,000.

Unlike most other think tanks, the Reason Foundation does not have to rely solely on grants and contributions. A strong and growing base of member/subscribers accounted for 39 percent of the year's income. In addition, revenue from advertisements in *Reason* and rental of the magazine's mailing list brought in another 11 percent. Finally, the sale of reprints, essays, and books, plus interest income, accounted for the remaining 3 percent.

Where does the money go? Publications (which includes editorial, production, distribution, and fulfillment costs) accounts for 38 percent of the budget. The next largest expense is membership promotion (subscription market-



PERSONNEL

ing), at 36 percent. Administration accounts for just 18 percent and fund-raising another 3 percent. The final category, conferences and research, shows up on the books at 5 percent, although most of the costs of the Foundation's three conferences and the summer research seminar were met directly by the Liberty Fund and the Foundation for Advanced Studies in Liberty. Had these sums gone through the Foundation's books, both revenues and expenditures would have been more than \$100,000 greater, and the conferences and research category would have been more than 15 percent of the budget.

The Reason Foundation is a nonprofit, educational organization, exempt from taxes under Section 501(c)(3) and 509(a)(2) of the Internal Revenue Code. Accordingly, contributions to the Reason Foundation are tax-deductible. Gifts may take a variety of forms, ranging from cash to appreciated property, under various types of tax-beneficial arrangements. Details on planned giving options are available on request from the Reason Foundation.

FY 1981-82 also marked the beginning of the Reason Foundation Endowment Fund, launched by a gift from an individual contributor. As the fund increases in size with additional gifts, it will provide financial security in the form of a solid asset whose earnings could eventually provide a significant additional source of income.

Each year the Foundation's books are examined by an independent Certified Public Accountant, Bartlett, Pringle & Wolf. Their report for FY 1981-82 is available on request.





President and Editorin-Chief:

ROBERT W. POOLE, JR. A graduate of MIT in engineering, Poole has many years of experience as a policy analyst, researcher, and consultant. He is a syndicated radio commentator and newspaper columnist, the author of Cutting Back City Hall, and editor of Instead of Regulation and Defending a Free Society.

Senior Fellow and Educational Programs Director:

TIBOR R. MACHAN Dr. Machan teaches philosophy at SUNY-Fredonia and economics at the University of California, Santa Barbara in addition to his positions at the Reason Foundation. Author of several books, including Human Rights and Human Liberties and editor of several others, including The Libertarian Reader, Machan is also widely published in journals, magazines, and newspapers.

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Executive Editor:

MARTY ZUPAN
Ms. Zupan holds a BA in philosophy and psychology and did graduate work in economics. She is in charge of the Foundation's editorial department, supervising the editing and production of all publications.

Business Manager:

MADELYN ROMASZEWSKI Formerly with Save the Children Federation, Ms. Romaszewski is in charge of the Foundation's business operations, including accounting, advertising, personnel, and purchasing. She also assists the President with direct-mail membership promotions and fund-raising.

Art Director:

MATTHEW BURBOTT Formerly assistant art director at New West (now California) magazine, Mr. Burbott is responsible for the design, layout, and illustration of Reason



magazine and all other Foundation publications.

Advertising Director:
ROBERT FLICKINGER
A graduate of Occidental
College, Mr. Flickinger
has worked on the
advertising sales staff of
the Inflight Publishing
Group of Ziff-Davis in
New York and for MPA
International in Los

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Angeles.

PAUL GORDON
Mr. Gordon holds degrees
in political science and
journalism. He is
managing editor of the
Foundation's newsletters
and does writing and
editing for Reason
magazine.

Office Manager:

CATHY CHMEL

Ms. Chmel has 11 years of experience in secretarial and managerial positions.

She handles all secretarial, clerical, and inventory control functions and supervises part-time staff.



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